A new era of CEO leadership in the talent space: The CEO as orchestrator

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As workforce management becomes more boundaryless, the CEO's role in talent strategy is shifting. Building social capital may be a key to navigating new priorities.

Our research suggests a need to focus on the following core strategies:

Core strategies

Empower your talent leaders	Model trust	Increase visibility to the board
Look holistically at the organization to pull strategic levers. This could include motivating the leadership team, optimizing structure, and integrating cross-C-suite strategy.	Set the tone by modeling trust-earning behavior, using personal narratives to encourage curiosity and experimentation, and creating positive feedback loops by making every experience a learning opportunity.	Ensure that talent actions and decisions are in line with the organization's overall vision, and that the overall vision resonates with its people and leadership teams—especially the board.

In a world where work has become boundaryless—meaning it can be done almost anywhere and at any time—talent management has also become unbounded. This shift continues to be a top-of-mind issue for CEOs, but as the disruption of the last few years and trends like the "Great Resignation" show, the CEO's role in recruiting, retaining, and developing talent continues to change and become more complex by the way work itself has changed.[1]

Human capital management is also influencing new types of discussions in the boardroom. Companies that are pioneers in this area are tasking human capital and compensation committees with initiatives like organizational culture, DEI, and well-being.[2]

Talent may be a top organizational priority, but it's not always clear how the CEO can most effectively lead in the talent space. What is clear is that while CEOs can't ignore the issue of talent in today's boundaryless world, they also can't approach it in the same way. In this new, complex talent landscape, in which executives assert that the purpose of organizations extends beyond creating value for shareholders to include creating value for workers as human beings, and for society at large, how should CEOs be rethinking their roles?[3] According to our research, building social capital may be one key to helping CEOs adapt to new expectations and priorities in a boundaryless talent management model.

Over the past several years, we've spoken with hundreds of CEOs as they navigate their role in talent initiatives. We've also surveyed Fortune 500 and Global 500 CEOs to understand the challenges they face and the actions they are taking.[4] To further clarify how CEOs can navigate this challenge, we worked with Deloitte's Global Human Capital Practice and the Center for Board Effectiveness to conduct focused interviews of CEOs and talent leaders around the world.

Here's what we learned: the CEO's role remains critical for enabling successful talent strategy, but the nature of that role is changing. Traditionally, the relationship between CEO and talent leader has been defined by clear boundaries with the chief human resource officer, or other people leader, solely responsible for process improvement and tactics such as recruitment, hiring, onboarding, rewarding, and retaining people. But this black-and-white role definition is shifting as work becomes more collaborative in a distributed, boundaryless work environment.

The talent challenge is no longer a single portfolio in the C-suite, and it doesn't belong to a single leader. Research shows organizations that are the most confident in their ability to manage workforce risk have more leaders across levels and roles with expert-level knowledge on talent topics.[5] Therefore, CEOs should consider deploying a broader and more systematic approach to talent issues, becoming orchestrators of talent priorities among their C-suite leadership.

Orchestrating talent strategy through social capital

Sociologists framed the concept of social capital more than a century ago, and while initially used to describe the bonds that exist in a healthy and civil society, social capital has more recently come to describe the interpersonal relationships and trust which facilitate coordinated action across an organization's leadership, enabling them to achieve great things together.[6] Inside the C-suite, social capital can be an enormous source of value and potential energy.

When social capital is lacking, however, the corporate culture tends to struggle: Ideas may be less likely to be aired and shared, people generally become risk-averse and therefore less innovative, blame-shifting and turf-protection could become the focus of leaders instead of problem-solving, and resources and attention may be wasted on purely internal challenges. An additional outcome: Those who would be likely to make valuable contributions may simply leave to other organizations.

With those two potential paths, it's vital CEOs take a proactive role in building social capital as part of talent management. CEOs should intentionally build and support new types of relationships among their leadership team. Admittedly, this may be difficult if the organizational culture perceives collaboration as inefficient – or goes against individual autonomy.[7] But more than just a theory, social capital can create real benefits to the bottom line. Various measures of social capital highly correlate with improved financial performance, better corporate governance and citizenship ratings, and, not surprisingly, smoother transitions during leadership changes.[8] On boards of directors, for example, higher levels of social capital are linked with improved outcomes even at the committee level.[9] Through the lens of social capital, the cumulative relationships, group norms, and trust coordinated across leadership create tailwinds that can help companies thrive and grow.[10]

Overlooking the fractures in social capital can be costly. Research from Gallup shows that the annual global cost of workers quiet quitting is US$8.8 trillion, or 9% of global GDP.[11] Additional research from Gallup on employee engagement shows over half of exiting workers saying neither their manager nor any other leader had spoken to them about job satisfaction in the previous three months.[12]

Social capital is built steadily, incrementally, and with intention, and while organizations, talent challenges, and leadership teams are different, we've identified three key actions that can help chief executives build social capital and play a more collaborative role with their C-suite leadership and board.

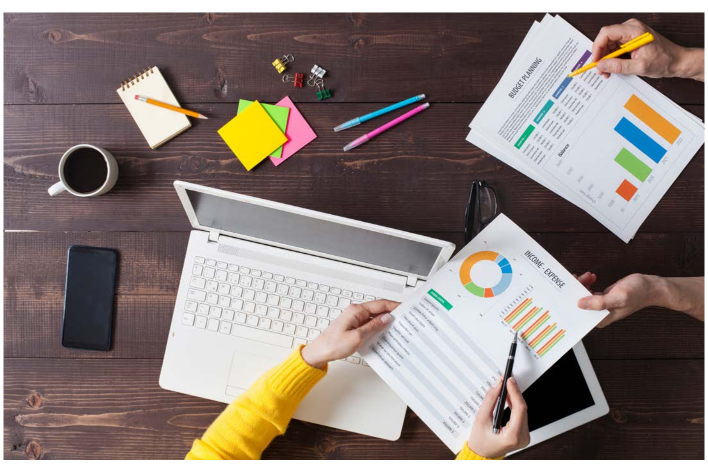
Empower your talent leaders.

The CEO is singularly positioned with a full view of the organization and the ability to pull strategic levers. Within the C-suite, this could involve motivating their leadership team, optimizing structure, and integrating cross-C-suite strategy.

According to a chief human resources officer at a European consumer retailer, the CEO's role is to optimize their team by developing leaders and talent. "The CEO has so many priorities, so they need to have a strong team reporting to them that they can rely on," the CHRO said. If the CEO's team is fully aligned on vision, priorities, and values, then the CEO can step back from the day-to-day. "My role is to take care of the organizational culture, put together systematic solutions to develop people," said the CHRO. "And let them grow and create this wish that they would like to stay with the company."

This is particularly true when it comes to helping the chief human resources officer or talent leader see themselves not only as a process improver but a strategist. CEOs should encourage and enable this transformation through their own actions. For example, rather than viewing their talent leader as a tactician, a CEO might empower the talent lead to focus on people strategy while delegating day-to-day tactics to other members of their team.

But it's not just about making room for the chief human resources officer to own talent strategy. It's also about providing the support and resources to make that strategy a reality. According to the CEO of a global software company, "the CHRO's job is to bring the ideas and the CEO's job is to say yes and make them happen." A significant aspect of the CEO's role in this context is recognizing when to step aside, when to set the tone from the top, and ultimately when a culture change might be necessary.



Model trust.

CEOs should strike a delicate balance between full transparency and inspiring confidence in the organization's ability to succeed, particularly in time of adversity. In any organization or group with high social capital, people know they can depend on each other and share the frustrations and failures inherent in daily life. In the C-suite, where strong-willed leaders may be at odds over key issues, getting to a point of trust requires a lot of work. The CEO should set the tone by modeling trust-earning behavior, using personal narratives to encourage curiosity and experimentation, and creating positive feedback loops by making every experience a learning opportunity. A European consumer retailer's CHRO sees the CEO's role as modeling trust that extends to broader leadership: "[it] starts with the CEO but is carried at each level of leadership…this is the job of the CEO, but the translation is the role of each leader."

One of the most essential elements of trust-building is to normalize the idea of healthy disagreement. By encouraging multiple C-suite leaders to present a diversity of perspectives to the board, for example, a CEO can create a culture of true problem-solving and exploration of potential solutions. In practice, however, CEOs often face a tradeoff in these circumstances. Disclosing more information may result in stronger guidance, but also closer monitoring.[13] Ideally, the CEO seeks to broaden awareness and understanding across the C-suite and the board of key issues through informal opportunities to learn.

Building trust at the C-suite level can also create a halo effect that trickles down throughout the organization, and ultimately benefits the bottom line. The benefits of building trust throughout the organization are apparent in the numbers: 79% of employees feel motivated to work for a trusted employer and trustworthy companies outperform the S&P 500 by 30-50%.[14]

A CEO we spoke with says there's baseline skepticism baked into many people's views of the C-suite role that influences how he approaches the job. "There's always a portion of the employee group who automatically doesn't trust you," the CEO says. But robust communication can go a long way in building trust with workers. "We communicate and when we get answers from surveys that they don't understand our strategies, we communicate again."

Increase visibility to the board.
The CEO's individual actions are only as powerful as the overall organization and leadership team. For this reason, the CEO should ensure that talent actions and decisions reflect the organization's overall vision and are congruent with the board's governance and oversight processes. For example, the chief people officer at a European retailer says the company completes quarterly listening sessions with employees to track engagement—a continuous approach that aims to ensure people's concerns are never too distant from the top of the leadership agenda. "It's about transparency and empathy," the chief people officer says. "We know where they are. We know what they're thinking about. And we have to make sure they feel that we understand them. The board wants us to be visible."

Board interactions on talent were noted as a challenge in the Fortune/Deloitte CEO Winter 2023 survey. But as boards begin to rethink and expand their role in this vital area of oversight, that sentiment may change.[15] In a recent survey conducted by Deloitte and the Society for Corporate Governance, 70% of company boards indicated that they added to or expanded their oversight of talent issues in the past five years, potentially reflecting growing awareness on the part of boards of the role of talent on both employee and organizational performance.[16]

The chief people officer cited above notes that their company's board is increasingly engaged and interested in the company's workforce and its role in the organization's overall strategy: "A lot of our discussions, especially on the board, are about what people think, how we create an environment where they feel safe, where they can trust us."

Increasing board involvement may reflect a growing interest in the relationship between non-financial metrics and long-term growth. According to the chief people officer, "A metric that the board is extremely interested in currently is about employees, employee engagement results. The board is looking very carefully at 'soft' things and how they can help us deliver results."

The social capital impact

Taken together, these are three dimensions to the same goal: Taking the talent agenda and turning it into a group mission with empowered leaders, trusted partners, and a broad coalition of potential supporters. And in the boundaryless world that faces the people-focused organization of the future, it's only fitting that CEOs draw on the lessons learned over decades of studying flexible, grounded, and high-functioning social groups of every type.

Leaders are on alert about the ways social capital drives the talent experience. When Deloitte asked nearly 900 C-suite executives, board members and other leaders to explain how they view workforce risk, they reported that the ability to foster Environmental Social Governance (ESG) initiatives, a lack of competitive rewards, worker activism, and a lack of sense of purpose are among the biggest factors keeping their organizations from reaching their objectives. By failing to address these risks, CEOs risk an erosion of social capital in their organizations.[17] Ultimately, this breakdown can hamper reputation, hurt operations, and harm financial performance.

Where to go from here

Distributing the knowledge of workforce risk can empower people across the organization. But CEOs shouldn't stop there. They should also consider asking themselves:

- Who has functional oversight of talent issues – and is that a good fit?
- How are the CEO, C-suite, and board aligned on talent strategy and scope of oversight?
- Are trust levels between the CEO, C-suite, and board high enough to foster open and transparent discussions on talent challenges?
- Is social capital getting in the way of governance discipline, transparency, or community standards?

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